

<b>Body:</b>	<b>Audit and Standards Committee</b>
<b>Date:</b>	<b>24 September 2018</b>
<b>Subject:</b>	<b>Statement of Accounts 2017/18</b>
<b>Report of:</b>	Head of Finance
<b>Cabinet member:</b>	Councillor Bill Giles (Cabinet Member for Finance)
<b>Ward(s):</b>	ALL
<b>Purpose of the report:</b>	To agree the audited accounts for 2017/18 under powers delegated by the Council.
<b>Recommendation:</b>	Members are asked to : i) Approve the final accounts for 2017/18. ii) Note the unadjusted audit differences identified by External Audit. iii) Note the “significant deficiency” in the Council’s control environment and the actions being taken to mitigate this for the future. iv) Agree delegated authority to the Chief Finance Officer to make non material amendments to the Statement of Accounts before final publication.
<b>Reasons for recommendations:</b>	The Accounts and Audit Regulations 2015 require the Chief Finance Officer and Councillors to certify and approve an audited set of accounts for publication.
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<b>1.0</b>	<b>Introduction</b>
1.1	The statutory deadline for local authorities to publish draft accounts and make them available to the auditor has come forward this year by one month, from 30 June to 31 May. The deadline for completion of the publication of the audited accounts has been brought forward by two months, from 30 September to 31 July.
1.2	As reported to this committee on 17 <sup>th</sup> July, there was a problem due to the late valuation data being received and the accounts were not submitted to BDO, the Council’s external auditors until 25 <sup>th</sup> June. Following discussions with the Audit

	Manager it was agreed to delay the start of audit until August.
1.3	The audit commenced on 13 <sup>th</sup> August and is currently still underway. A list of outstanding work is covered in BDO's 'Audit Completion report' included on this agenda.
1.4	BDO has identified a potential issue with the valuation of the Council assets, where in some cases the percentage increase in values identified by the Valuation Office does not agree to the benchmark data. BDO is currently liaising with the District Valuer to determine the appropriateness of the factors the valuer has used to arrive at the percentage increases. More detail is provided in BDO report to this committee.
<b>2.0</b>	<b>Accounting Changes to the Statement of Accounts</b>
2.1	The Accounts for 2017/18 continue to be produced in accordance with International Financial Reporting Standards (IFRS) which are applicable to both private and public sector organisations There have been no major IFRS accounting changes to the Statement of Accounts for this year.
<b>3.0</b>	<b>Audit of Accounts</b>
3.1	BDO has now issued the draft ISA260 Annual Governance Report (Audit Completion Report) which is included as a separate report to this committee.
3.2	BDO has indicated that subject to satisfactory completion of the outstanding work it is anticipated that an unmodified audit opinion on both this Council's accounting statements will be issued. The opinion is expected to be given by the end of September.
<b>4.0</b>	<b>Key issues arising from the audit</b>
4.1	There have been no "corrected audit differences", at the time of writing this report, required to be made to the Statement of Accounts.
4.2	<p>There are the following two unadjusted audit differences:</p> <ul style="list-style-type: none"> <li>• An extrapolated error in respect of HRA expenditure not corrected capitalised of £88,000. The actual error was for £14,000 and using statistical data this has been uplifted to give a theoretical error value. Further sampling was carried out and no further errors have been identified. This has been left as an unadjusted error in the accounts as it is below the materiality limit.</li> <li>• A carried forward valuation error on the 2016/17 accounts of £1,542,000 was reported to this committee at the time of approving the 2016/17 accounts on 25<sup>th</sup> September 2017. This relates to increases in the value of specialist property such as leisure centres and public conveniences since the last formal valuation in 2014. This "unadjusted error" will be carried forward until the next formal valuation in 2019/20.</li> </ul>

4.3	<p>There was the one significant deficiency in the Control Environment for 2017/18 identified by DBO which related to the failure of the Council to prepare its draft statement of accounts by the statutory deadline of 31 May.</p> <p>The reasons for this were outlined in the report to this committee on 17<sup>th</sup> July and were due to the late receipt of the valuation data of the council's assets from the valuation office.</p> <p>The finance team is currently considering alternative suppliers and will start the procurement process in the next month.</p> <p>Officers are also looking at alternative options to the current asset management software for calculating all the necessary capital journals for depreciation, impairments etc.</p> <p>In the past officers have worked with neighbouring HRA authorities in Wealden, Hastings, Eastbourne and Brighton to identify good practice for capital accounting and the results have highlighted that there are more efficient and streamlined ways of working.</p> <p>Officers are currently assessing how to make the necessary changes and will be implementing these before we start on the closure of accounts process for the 2018/19. In addition joint working with Eastbourne will ensure that sufficient resources are available to meet the 31<sup>st</sup> May deadline.</p>
4.4	BDO has identified two non-significant deficiencies, full details of the observations, implications, recommendations and management responses are given at appendix II of BDO's report.
<b>5.0</b>	<b>Consultation</b>
5.1	<p>The draft accounts are available on the Council's Web site and were open for public inspection when any taxpayer of the Borough is entitled to come, inspect and make copies of the accounts and all books, deeds, contracts, bills, vouchers and receipts related to those accounts during July.</p> <p>No requests were received.</p>
<b>6.0</b>	<b>Financial appraisal</b>
6.1	The final outturn for the 17/18 year was presented to Cabinet on 2 July 2018. No differences in the authority's financial performance or reserves are made in the preparation of the Statement of Accounts.
<b>7.0</b>	<b>Legal implications</b>
7.1	The Accounts have been prepared in accordance with 2017/18 Code of Practice

	on Local Authority Accounting in the United Kingdom (the Code), based on International Financial Reporting Standards.
<b>8.0</b>	<b>Risk management implications</b>
7.1	Any risk implications are covered in the body of the report.
<b>9.0</b>	<b>Equality analysis</b>
9.1	This is a routine report for which detailed Equality Analysis is not required to be undertaken.
<b>10.0</b>	<b>Appendices</b>
10.1	Statement of Accounts 2017/18.
<b>11.0</b>	<b>Background papers</b>
11.1	BDO Audit Completion Report 2017/18